

# NAIC Health Risk-Based Capital Newsletter

August 2018

Volume 20.1



## What RBC Pages Should Be Submitted?

For the year-end 2018 health risk-based capital (RBC) filing, submit hard copies of pages **XR001 through XR027** to any state that requests a hard copy in addition to the electronic filing. Beginning with year-end 2007, a hard copy of the RBC filings was not required to be submitted to the NAIC. Other pages, such as the captions worksheet, do not need to be submitted. Those pages would need to be retained by the company as documentation.

## Operational Risk

A revised basic operational risk “add-on” structure and instructions were adopted by the Capital Adequacy (E) Task Force at the Spring National Meeting and during its April 28 conference call under proposal 2017-13-O and proposal 2017-16-O, respectively. The “add-on” is equal to 3% of total RBC after covariance in all RBC formulas. The operational risk charge is offset (to a minimum of zero) by the amount of C-4a risk RBC carried by life RBC filers, as well as the C-4a risk RBC of life insurance subsidiaries owned directly by any insurer type. The basic operational risk charge will be effective with the filing of the 2018 RBC formulas. The RBC charge was previously set at 0% for 2017 RBC by the Task Force based on a technical issue that was subsequently addressed by the Operational Risk (E) Subgroup.

## ASC and ASO Broker Commissions (Page XR021)

As a result of the adoption of proposal 2018-06-H by the Capital Adequacy (E) Task Force on its June 28 conference call, instructions were added to include ASC and ASO broker commissions in Line (8) and Line (9) on page XR021.

## Stop Loss Interrogatories

As a result of the adoption of proposal 2018-01-CA by the Capital Adequacy (E) Task Force on its April 30 conference call, electronic-only tables for stop loss interrogatories were added to page XR014. Table 1 will be used to collect data to review and evaluate the stop loss factors. Table 2 will be used to capture the number of stop loss contracts by group size.

## Appendix 2 – Commonly Used Terms for Medicare Part D Coverage

As a result of the adoption of proposal 2018-03-CA by the Capital Adequacy (E) Task Force on its June 28 conference call, the individual definitions in Appendix 2—Commonly Used Terms for Medicare Part D Coverage were deleted and a reference to *Interpretation (INT) 05-05: Accounting for Revenue Under Medicare Part Coverage* was added to reduce the misalignment of changes in the INT compared to the RBC instructions.

## Beneficiary Premium and Claims—Stand-Alone Medicare Part D Coverage

As a result of the adoption of proposal 2018-04-H by the Capital Adequacy (E) Task Force on its June 28 conference call, the instructions for Line (1) and Line (6) on page XR012 were modified to exclude beneficiary premium and incurred claims to Stand-Alone Medicare Part D Coverage, and incurred claims are reported on page XR014, Line (25.1).

### In This Issue:

|  |   |
|--|---|
| What RBC Pages to Submit .....   | 1 |
| Operational Risk.....  | 1 |
| ASC and ASO Broker Commissions (Page XR021).....                         | 1 |
| Stop Loss Interrogatories.....   | 1 |
| Appendix 2— Commonly Used Terms for Medicare Part D Coverage .....       | 1 |
| Beneficiary Premium and Claims—Stand-Alone Medicare Part D Coverage..... | 1 |
| Receivables for Securities .....   | 2 |
| Medicaid Pass-Through Payments .....                                     | 2 |
| All Other Low-Income Housing Tax Credit.....                             | 2 |
| Affordable Care Act.....   | 2 |
| Money Market Mutual Funds.....   | 2 |
| Editorial Changes .....  | 2 |
| Risk-Based Capital Forecasting and Instructions.....                     | 3 |

## Receivables for Securities

As a result of the adoption of proposal 2018-09-CA, by the Capital Adequacy (E) Task Force on its June 28 conference call, the factor for the Receivables for Securities (Line (20), Page XR007) was updated from 0.0240 to 0.0250.

## Medicaid Pass-Through Payments

As a result of the adoption of proposal 2017-08-CA by the Capital Adequacy (E) Task Force at the Spring National Meeting, a new line (Line 25.2) was added to page XR014 for Medicaid Pass-Through Payments. New lines (Line (5), Line (8), and Line (9)) were also added to remove the premium and claim amounts on page XR012. The purpose of the change reflects that Medicaid Pass-Through Payments are more like uninsured business, such as ASC and ASO, and should reflect a similar charge.

## All Other Low-Income Housing Tax Credit

As a result of the adoption of proposal 2018-07-H by the Capital Adequacy (E) Task Force on its June 28 conference call, the factor for the All Other Low-Income Housing Tax Credit (Line (30), Page XR007) was corrected to 0.1500 from 0.0150.

## ACA

The Capital Adequacy (E) Task Force adopted proposal 2018-02-CA, proposal 2017-09-CA and proposal 2017-10-H at the Spring National Meeting. Proposal 2018-02-CA deleted the structure and instructions for the Underwriting Risk—Experience Fluctuation Risk—Informational Only pages from the formula. Proposal 2017-10-H deleted Line (4), Line (5), Line (10) and Line (11) from page XR019, including modifications to the instructions. Proposal 2017-09-CA modifies the Risk Adjustment and Risk Corridor Sensitivity Test by removing the risk corridor portion. The purpose of these changes was due to discontinuation of the reinsurance and risk corridor programs, as well as the continued changes of the federal Affordable Care Act (ACA).

## MMMFs

As a result of the adoption of proposal 2017-07-CA by the Capital Adequacy (E) Task Force at the Spring National Meeting, the instructions and non-government money market mutual funds (MMMFs) Line (17) on page XR009 was deleted. The remaining line numbers were updated.

## Editorial Changes

1. On page XR002, the line number references in Column (4) were updated for life and property/casualty (P/C) in the instructions and blank to Line (67) + (71) and (68), respectively.
2. References to “Appendix 2” in the instructions were changed to refer to *INT 05-05: Accounting for Revenue Under Medicare Part D Coverage*.
3. The year reference was updated to “2017” in the example for page XR017 instructions.
4. The line numbers were updated on pages XR014–XR016 as a result of the adoption of proposal 2017-08-CA.
5. The line numbers were updated on page XR020 as a result of the adoption of proposal 2017-10-H.
6. As a result of Blanks proposal 2018-04BWG MOD, the Reference Column was updated for Line (2) and Line (3) on page XR022. The column references on Schedule S, Part 1, Section 2 was updated from “C7” to “C8” and the Life Supplement, Schedule S, Part 1, Section was updated from “C9” to “C10.”
7. Updated the factor on page XR011, Line (21) All Other Low Income Housing Tax Credits to be .1500 as a result of proposal 2018-07-H.

## RBC Forecasting and Instructions

The NAIC 2018 *Health Risk-Based Capital Forecasting & Instructions* is available for purchase through the NAIC Publications Department. Customers who purchase this publication can download the forecasting spreadsheet from the [NAIC Account Manager](#). This publication is available for purchase on or about November 1 each year. The User Guide is no longer included in the Forecasting & Instructions.

**WARNING:** The RBC Forecasting Spreadsheet CANNOT be used to meet the year-end RBC electronic filing requirement. RBC filing software from an annual statement software vendor should be used to create the electronic filing. If the forecasting worksheet is sent instead of an electronic filing, it will not be accepted, and the RBC will not have been filed.

© 2018 National Association of Insurance Commissioners

Health Risk-Based Capital Newsletter Volume 20.1.  
Published annually or whenever needed by the NAIC for  
insurance regulators, professionals and consumers.

Direct correspondence to: Crystal Brown, RBC News-  
letters, NAIC, 1100 Walnut Street, Suite 1500, Kansas  
City, MO 64106-2197. Phone: (816) 783-8146. Email:  
[cbrown@naic.org](mailto:cbrown@naic.org).

Address corrections requested. Please mail the old  
address label with the correction to: NAIC Publications  
Department, 1100 Walnut Street, Suite 1500, Kansas  
City, MO 64106-2197. Phone: (816) 783-8300. Email:  
[prodserv@naic.org](mailto:prodserv@naic.org).